

## Message Text

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ORIGIN NEA-12

INFO OCT-01 ADP-00 EB-11 TRSE-00 AID-20 SSO-00 INRE-00

NSCE-00 USIE-00 NSC-10 RSC-01 CIEP-02 SS-15 STR-08

OMB-01 CEA-02 CIAE-00 INR-10 NSAE-00 PA-03 PRS-01

/097 R

DRAFTED BY NEA/ PAB: FHTHOMAS: ASIA/ SA: BLANGMAID

4/24/73 EXT:22119

APPROVED BY EB: WBARMSTRONG

EB/ IFD/ ODF: MCASSE

NEA/ PAB: DMCOCHRAN

TREAS: GORDON ( INFO)

----- 022394

O R 242225 Z APR 73

FM SECSTATE WASHDC

TO AMEMBASSY ISLAMABAD IMMEDIATE

INFO AMCONSUL KARACHI

AMEMBASSY DACCA

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E. O. 11652 N/ A

TAGS: EFIM: PK: BG: IBRD

SUBJ: PAKISTAN CONSORTIUM DEBT

REF: ISLAMABAD 3156, 3109, AND PARIS 7214

FOR ASSISTANT SECRETARY SISCO

1. PAKISTAN AMBASSADOR SULTAN KHAN CALLED ON ASSISTANT SECRETARY ARMSTRONG APRIL 24. SAID ON INSTRUCTION HIS GOVERNMENT HE SEEKING " RAISE TO POLITICAL LEVEL", QUESTION OF DIVISION FOREIGN DEBT LIABILITIES WITH BANGLADESH.

2. AMBASSADOR THEN ( A) RECOUNTED BASIS ON WHICH AID GIVEN TO UNITED PAKISTAN, ( B) NOTED CONSORTIUM CREDITORS HAD  
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ALREADY MADE PRELIMINARY ESTIMATE THAT APPROXIMATELY ONE-THIRD OF OVERALL PAST AID HAD FLOWED TO EAST PAKISTAN, ( C ) ADDED PAKISTAN HAD EARLIER AGREED TO MAINTAIN RESPONSIBILITY FOR ALL DEBTS " FOR TIME BEING" BUT ( D ) CONCLUDED THAT GOP COULD NOT EXPECT TAXPAYERS TO AGREE HAVE GOVERNMENT MAINTAIN RESPONSIBILITY AFTER JUNE 30, 1973 FOR DEBTS WHICH BENEFITTED AREA NO LONGER UNDER PAKISTAN CONTROL. SULTAN KHAN SAID HE UNDERSTOOD IN COURSE OF RECENT MEETING OF CONSORTIUM NATIONS IN DACCA, BANGLADESH AUTHORITIES HAD DECLINED ACCEPT RESPONSIBILITY FOR DEBTS BUT HAD LINKED QUESTION WITH ISSUES SUCH AS DIVISION OF ASSETS. NOTED IT WAS NOT SURPRISING BANGLADESH WOULD PREFER AVOID DISCUSSION DEBT QUESTION. ADDED WHILE QUESTION DIVISION OF INDIGENOUS ASSETS AND LIABILITIES BETWEEN THE TWO PARTIES ARE BILATERAL AFFAIRS, THE OBLIGATIONS OF EACH PARTY TO CONSORTIUM NATIONS IS, HOWEVER, SEPARATE ISSUE ( INVOLVING EACH PARTY WITH INDIVIDUAL FOREIGN CREDITORS.) AMBASSADOR SAID SEVERAL COMMUNIST BLOC NATIONS RECENTLY ABSOLVED PAKISTAN OF LIABILITIES FOR PAST AID WHICH WENT TO EAST PAKISTAN, AND WHILE HE NOT SURE HOW THIS ISSUE BEING HANDLED IN DACCA, HE HOPED PAKISTAN WOULD RECEIVE NO LESS FAVORABLE CONSIDERATION BY CONSORTIUM NATIONS. REMARKED THAT HE HAD RECENTLY PASSED LETTER FROM PRESIDENT BHUTTO TO WORLD BANK PRESIDENT MACNAMARA ON DEBT PROBLEM AND HOPED USG WOULD HELP EXPLAIN GOP POSITION TO OTHER CONSORTIUM NATIONS.

3. AMBASSADOR CONCLUDED THAT WHILE THERE MIGHT BE " DEFAULT" ON PORTION OF DEBT AS OF JULY 1, 1973 UNLESS PROBLEM RESOLVED, QUESTION WOULD BE AS TO WHO IS IN DEFAULT: PAKISTAN OR BANGLADESH. ADDED, GOP BELIEVES THE DEFAULT, IF IT OCCURS, SHOULD BE VIEWED AS BANGLADESH'S RESPONSIBILITY.

4. ARMSTRONG SAID HE UNDERSTOOD MAGNITUDE OF PROBLEM AND WOULD CONSIDER IT CAREFULLY ALONG WITH COLLEAGUES.

5. WE UNDERSTAND SPECIAL HEADS OF DELEGATION MEETING TO DISCUSS PAKISTAN DEBT QUESTION WILL BE CALLED BY IBRD FOR AFTERNOON OF MAY 31 IN PARIS FOLLOWING PHILIPPINE CONSORTIUM MEETING.

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6. AT THIS STAGE IN DEBT NEGOTIATIONS, WE DEEM IT IMPORTANT TO MAINTAIN AGREED CONSORTIUM POSITION AND CONTINUE ENCOURAGE PAKISTAN TO BE FLEXIBLE AND AVOID ACTIONS WHICH MIGHT FORCE SOLIDIFICATION OF BDG OR DONOR POSITIONS. WE PREFER ENCOURAGE GOP AGREE SIMPLE STRAIGHTFORWARD ONE-YEAR EXTENSION OF THE CURRENT MORATORIUM. CURRENT U. S.

POSITION STILL REMAINS AS CITED IN MACDONALD STATEMENT  
( PARIS 7214) AT PARIS MEETING, NAMELY: ( A) PENDING SATIS-  
FACTORY DIVISION, WE HOLD GOP ACCOUNTABLE FOR DEBT SERVICE.  
( B) WE CONTINUE TO SUPPORT STRAIGHT EXTRAPOLATION FOR  
ANOTHER YEAR OF CURRENT MORATORIUM, WHICH WOULD MORE THAN  
COVER POTENTIAL BD OBLIGATIONS, BUT ( C) WE CANNOT AGREE  
" IN ADVANCE" TO REMOVING GOP LIABILITY FOR BD DEBTS AND  
WE CANNOT MODIFY EXISTING MORATORIUM TO INCLUDE EACH AND  
EVERY QUOTE GBD DEBT UNQUOTE.

7. ON SEPARATE BUT RELATED POINT, WE HAVE CONFIRMED WITH  
IBRD ( COLLIER) THAT BANK HAS NOT REQUESTED LEGAL OPINION  
REGARDING RESPONSIBILITY FOR " EAST PAKISTAN" DEBT AS  
CITED ISLAMABAD 3156. WE PRESUME THIS IS EFFORT ON PART  
GOP TO GENERATE RESPONSES TO UNSIGNED LEGAL OPINION

DISTRIBUTED AT CONSORTIUM MEETING. WE PLAN MAKE NO  
RESPONSE TO GOP DOCUMENT. REGARDING DISCUSSIONS CITED  
IN ISLAMABAD 3109, PARAGRAPH 3, WE UNDERSTAND NOTE  
FROM IBRD IN PROCESS NOT YET RECEIVED. ROGERS

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\*\*\* Current Handling Restrictions \*\*\* n/a

\*\*\* Current Classification \*\*\* LIMITED OFFICIAL USE

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